Trinseo Fourth Quarter 2024 Earnings Call

Company Participants

- Bee van Kessel, Senior Vice President of Corporate Finance and Investor Relations
- Frank A. Bozich, President and Chief Executive Officer
- David Stasse, Executive Vice President and Chief Financial Officer

Other Participants

- Frank Mitsch
- Matthew Blair
- Hassan Ahmed
- Laurence Alexander
- Roger Spitz
- Alex Kelsey
- David Begleiter

Presentation

Operator introduction

Good morning, ladies and gentlemen, and welcome to the Trinseo Fourth Quarter and Full Year 2024 Financial Results Conference Call. We welcome the Trinseo management team, Frank Bozich, President and CEO; David Stasse, Executive Vice President and CFO; and Bee van Kessel, Senior Vice President of Corporate Finance and Investor Relations. Today's conference call will include brief remarks by the management team, followed by a question-and-answer session. The company distributed its press release, along with its presentation slides, at close of market Wednesday, February 12. These documents are posted on the company's Investor Relations website and furnished on a Form 8-K filed with the Securities and Exchange Commission. (Operator Instructions).

I will now hand the call over to Bee van Kessel.

Bee van Kessel

Thank you, J-L, and good morning, everyone. At this time all participants are in listen-only mode. After our brief remarks, instructions will follow to participate in the question-and-answer session. Our disclosure rules and cautionary note on forward-looking statements are noted on Slide 2.

During this presentation, we may make certain forward-looking statements, including issuing guidance and describing our future expectations. We must caution you that actual results could differ materially from what is discussed, described or implied in these statements. Factors that could cause actual results to differ include, but are not limited to, the risk factors set forth in Item 1A of our Annual Report on Form 10-K or in our other filings made with the Securities and

Exchange Commission. The company undertakes no obligation to update or revise its forward-looking statements.

Today's presentation includes certain non-GAAP financial measurements. A reconciliation of these measurements to corresponding GAAP measures is provided in our earnings release and in the appendix of our Investor presentation. A replay of the conference call and transcript will be archived on the company's Investor Relations website shortly following the conference call. The replay will be available until February 13, 2026.

Now, I would like to turn the call over to Frank Bozich.

Frank A. Bozich

Thanks, Bee, and welcome to our year-end 2024 earnings call. Before we get into our financial results, I'd like to highlight some of our outstanding safety achievements as we've had one of the safest summers in the history of the company this past year. I'm proud to announce that 19 production and recycling facilities, all of our global R&D teams, and 2 site service teams received a Triple Zero Award, which represents zero recordable injuries, zero spills and zero process safety events for the entire year. With an injury rate of just 0.3, we continue to operate in the top quartile of companies in the American Chemistry Council and outperformed many of our peers. These results are a testament to the priority that we place on safety in everything that we do and are a reflection of the dedication that our people have to creating a safe work environment.

Moving on to our operational results, this past year saw a continuation, and in some cases worsening, of many of the market challenges that the chemical industry faced in 2023. Geopolitical uncertainty, elevated inflation, and relatively high interest rates eroded consumer confidence across the globe, which adversely affected our largest end markets of auto and building and construction, most significantly in Europe and China.

Despite these macroeconomic challenges, we are able to improve our full year adjusted EBITDA by $50 million because of the self-help actions that we've taken over the past couple of years. Amid these challenging times, our focus has been on executing actions within our control and aligned to our transformation strategy as we wait for the macroeconomic environment to inevitably recover. These included exiting our unprofitable and energy-intensive styrene and virgin polycarbonate production operations, consolidating several of our PMMA sheet operations, and rightsizing the company and its support functions based on the new operating footprint. We also implemented new supply chain systems and processes that enabled a greater than 20% reduction in days of inventory to a level that can be sustained through the cycle. Finally, we took actions to extend our near-term debt maturity to 2028 and greatly improved our liquidity.

All of these actions have resulted in a more efficient and focused company. Compared to the first half of 2022 when we began these actions, our energy intensity has decreased by approximately 45%, our maintenance CapEx has decreased by more than 35%, and due to work process improvements and footprint reductions, we have reduced our total headcount by approximately 20%.

These actions have allowed us to continue to make progress on our strategic initiatives and circular technologies. We continue to grow our recycled-content-containing product offerings with sales increasing 47% versus prior year and representing now 4% of the total company variable margin in 2024. Sales volumes to higher-margin case applications continue to make up an increasing percentage of volumes in our Latex Binders segment, accounting for 11% of our total segment sales volumes and 18% of our total segment variable margin in 2024. And in our Engineered Materials segment, PMMA resin sales and margins continue to show resilience as volumes increased 3% year-over-year despite a very weak end market demand environment.

We have also made significant advancements in our circular technologies. These include commissioning our polycarbonate dissolution pilot facility and opening our ABS dissolution pilot plant and our PMMA depolymerization demo facility in 2024. We anticipate scaling up the PC and PMMA technologies at our Rho, Italy site and the PC dissolution technology at our Zhangjiagang, China site to support the growing demand from our auto clients.

Next, I want to spend a few moments discussing our recently announced agreement with Deepak Nitrite Limited. In November, we agreed to supply a polycarbonate license as well as all proprietary virgin polycarbonate production equipment from our Stade, Germany facility to Deepak for a combined total of $52 million. While the economics of producing virgin polycarbonate at our Stade facility have become unprofitable and led to our decision to exit that site, our polycarbonate technology remains highly valued, and the assets can still be utilized. We view this agreement as mutually beneficial to both companies and see this as the initial steps of a strategic and collaborative partnership with Deepak. We also see India as a significant growth market where Trinseo currently has minimal exposure. We believe in a base case scenario of at least 7% compound annual demand growth through the end of the decade in our target end markets.

Before I hand the call over to Dave, I'd like to make a few comments regarding our fourth quarter results. Core business results were in line with our expectations as seasonally lower volumes and extended year end shutdowns led to sequentially lower profitability. Falling raw material prices resulted in significant negative timing impacts in our Polymer Solutions segment and at Americas Styrenics. While this led to lower Adjusted EBITDA than originally anticipated, the lower raw material prices led to lower working capital balances, which contributed to the highest quarter of free cash flow generation in over two years. Now I'd like to turn the call over to Dave.

David Stasse

Thanks, Frank. Before I get into fourth quarter results, I'd like to spend a few minutes discussing our new reporting segments. At the end of the third quarter, we announced restructuring measures that included combining the management of our Engineered Materials, Plastics Solutions and Polystyrene businesses. As a result, we made two substantive changes to our reportable segments to be more representative of this new structure and how we intend to operate the businesses going forward.

First, the automotive compounding business that was previously part of Plastics Solutions has been moved into Engineered Materials. This was a natural move since we already have a smaller compounding business and significant automotive exposure within Engineered Materials. The second change is that we are combining Polystyrene with the two remaining businesses in Plastics Solutions, ABS and SAN, and are renaming the segment Polymer Solutions.

I also want to highlight that in January, we closed on a transaction that increased our available liquidity by approximately $150 million and extended the maturity date of the $115 million of debt that was due in 2025 to 2028. Pro forma for this transaction, we ended 2024 with almost $500 million of available liquidity and no maturities until 2028.

Moving on to financial results, fourth quarter Adjusted EBITDA of $26 million, was $6 million higher than prior year and included $9 million unfavorable net timing impact primarily in Plastics Solutions as styrene prices fell throughout the quarter. Fourth quarter results were also negatively impacted by an additional $15 million of unfavorable net timing at Americas Styrenics due to falling raw material costs. Absent these headwinds, core business results were in line with expectations and improved versus prior year for each of our operating segments. Engineered Materials saw the highest year-over-year improvement due to moderating input costs, improved PMMA pricing, and a 61% increase in volume sold into consumer electronics applications. Cash provided by operations during the quarter was $85 million, which resulted in free cash flow of $64 million.

Now I'll turn the call back over to Frank.

Frank A. Bozich

Thanks, Dave.

Looking ahead to 2025, we do not currently anticipate meaningful demand recovery in our major end markets. Geopolitics have negatively impacted our business over the past three years, and we look forward to the resolution of some of the worldwide conflicts that have disrupted global trade flows and decreased European competitiveness.

With this in mind, I'd like to give a brief update on the sale process of our joint venture, Americas Styrenics. We along with our partner remain committed to selling AmSty, with a focus on maximizing value. To this end, we expect an improved valuation environment later this year, which would result in a signing later than originally anticipated. We remain very confident that the sale process will be successful and will update the market once we have more clarity on timing.

We expect the first quarter of 2025 to be sequentially better than Q4 following the pronounced seasonality and negative timing impacts that we experienced at year end. We are seeing seasonally higher volumes to begin Q1, but still expect first quarter volumes to be lower year-over-year due to continued weakness in automotive and building and construction end markets, and in paper applications in Asia. As a result, we expect Q1 Adjusted EBITDA of $60 million to $80 million, which includes a one-time $26 million contribution from the polycarbonate technology license agreement to Deepak.

I believe the actions we've taken over the past two years have positioned us well for an eventual end market recovery, and the refinancing transaction which we recently closed in January gives us ample runway to continue pursuing our strategy.

And now we're happy to take your questions.

Questions and Answers

Operator

(Operator Instructions) Your first question comes from the line of Frank Mitsch of Fermium Research. Your line is open.

Q - Frank Mitsch

Hey good morning, folks. I want to follow up on Slide 14 in terms of the cash spend that you're expecting for 2025, standing at $390 million. Frank, I believe, or perhaps it was David, last quarter was mentioning a number in the low $300s in terms of the spending. I'm just curious as to where you're seeing the net cash expenditures pick up from what it was a few months ago.

A – David Stasse

Good morning, Frank. Look, the only changes based on the last time we talked about this figure, which is admittedly higher than it was last year, is in working capital. The $40 million outflow of working capital is a function of really two things: volume over the course of the year, which as Frank said, we're not baking into our forecast any anything of significance there, but also raw material prices. So the working capital inflow or outflow is really a function of our forecast of raw material prices at the end of the year, which admittedly, Frank, standing here on February 13th is a little hard to predict. So that line item particularly is quite likely to change going forward. Cash taxes are a little bit higher than what they were last year also Frank. Last year I think was more like $20 million and that's just a function of higher profitability. So those are the only changes.

Q - Frank Mitsch

Okay, all right, totally understand. And David, when you were talking about the negative timing impacts in 4Q, restraining profitability or restraining the EBITDA that was reported due to lower styrene monomer, of course that cuts two ways because you guys are now merchant styrene monomer purchasers, so I'm curious as to how we should think about the benefits that I guess you're seeing in 1Q from the lower styrene pricing. How would you factor that in to the overall profitability?

A – Frank Bozich

Frank, you can imagine that a lot of our pricing on our styrene containing products are indexed on the styrene index price and so it's generally a pass through.

Q - Frank Mitsch

Okay got it, understood. And then I assume in terms of the delay on the AmSty sale from the first half of this year to the second half of this year, obviously you guys are operating hand in glove with CP Chem, correct?

A – Frank Bozich

Yeah, obviously we're in close cooperation with our joint venture partner and again as I said, we anticipate an improved result from AmSty and a better valuation environment later this year.

Q - Frank Mitsch

Got it. Thanks so much.

Operator

Your next question comes from the line of Matthew Blair of Tudor, Pickering and Holt and Company. Your line is open.

Q - Matthew Blair

Thank you and good morning. Hopefully you can hear me Okay. I had two questions on the Q1 guidance. First, how much of an impact, if any, is embedded from rising European natural gas prices in the Q1 guide, and could you provide an update on any sort of hedges you might have for 2025? And then two, is there any assumption on net timing benefits in that Q1 guide? Thank you.

A – Frank Bozich

That's a great question. There will be in Q1 a pricing lag due to natural gas price increases and those inputs into mainly Engineered Materials that are based on natural gas prices. So the current expectation is that the quarterly pricing that we provided at the end of last year for Q1 to our customers, we wouldn't fully recover the input and cost increase from the natural gas prices and that's mainly an Engineered Materials-related issue.

A – David Stasse

Matthew, as it relates to hedging, we've obviously been monitoring this very closely. We have been putting in hedges generally for the short-term in the first quarter. Obviously, there's a lot of positive kind of speculation coming out of a some resolution to the Ukraine situation, and a follow on to that would be a potential reopening of supply from Russia to Europe with natural gas, which obviously I think would have a very deflationary effect on natural gas prices in Europe. We do have some hedges in place for the first quarter of this year. It's low, it's less than 50%, and obviously the near-term prices are really impacted more by the weather than anything else. But also looking longer term, we're watching the Ukraine situation closely and a little bit reticent right now to put out any kind of long-term hedges on natural gas for Europe.

I do also just want to point out, we've exited our energy-intensive businesses in Europe, the 2 styrene plants as well as polycarbonate, so the only real energy intensive operation that we still have is MMA production in Italy. So our energy intensity has gone down considerably since the last time it went through this. It's about half of what it used to be, so the the last time we had an energy crisis in Europe, our exposure was 2x of what it is today.

Q - Matthew Blair

That's helpful. And my follow-up, it seems like one of the bright spots in the quarter was in Engineered Materials. You mentioned the 61% increase in volumes into consumer electronics. Do you have any more details here? Was this the result of a new product launch and maybe a onetime benefit, or do you think this is going to be more sustainable?

A - Frank A Bozich

I think one of the big things year-over-year was that you had a very low base in 2023 by comparison, so '23 was the low year in consumer electronics for many reasons, including consumer demand. So, one, you're starting at a low point, but I'm really excited about the work that the team has done during the course of late '23 and into 2024 to diversify our customer base. I would generally say that this has been a really strong growth part of our business and one of the biggest areas for recycled containing products where we're selling into the consumer electronics area. It was a fairly concentrated customer base, and these would be the larger brand names in consumer electronics, and we've done a very good job diversifying our sales into new customers last year. These are really bespoke products. We're custom formulating a product with up to 60% to 70% recycled content for specific applications, and so for that reason, we think these are really resilient sales. And again, the 2 big drivers are the year-over-year comparison as well as diversification of our customer base.

Q - Matthew Blair

Great. Thank you.

Operator

Your next question comes from the line of Hassan Ahmed of Alembic Global Advisors. Your line is open.

Q - Hassan Ahmed

Morning, Frank. A question around guidance. You guys are guiding to, call it, midpoint of guidance, $70 million for Q1, and I understand there are some moving parts associated with that. But if I annualize that, it's $280 million. I know there are all these sort of macro uncertainties and the like, but how should we be thinking about 2025?

A - Frank A Bozich

Great question. For the reasons that you said, we're reluctant to try and predict the full year guide at this point. But look, we're very confident in continued positive earnings development in 2025, and the drivers are, I'll give you the buckets. What we announced with Deepak, $26 million of EBITDA contribution from the licensing agreement. The SG&A reductions that we announced last year in restructuring will give a full year benefit of $25 million. The PC asset closure and then the subsequent sourcing agreements with that, as well as the new business awards that we've received in qualifying new customers are similar in magnitude to those previous 2 areas. And then lastly, I would point out that we would expect a much more normalized earnings contribution or EBITDA contribution from AmSty this year. You could do the math, but over the past 4 years, EBITDA contribution for Trinseo from our participation in AmSty was $68 million, and we would expect a contribution closer to that than the result we had last year. So those are the big buckets of contribution, excluding whatever happens in the market, and so that's how I would think about it once you land your market assumptions on the underlying demand.

Q - Hassan Ahmed

Very helpful, Frank. And as a follow-up, we've seen a nice rebound in the Engineered Materials segment EBITDA margin-wise. I mean, last quarter, it was 12% EBITDA margins. Now it's 10%, which obviously year-on-year is a healthy sort of expansion. How are you now with all the moving parts and the changes we've seen in the macro, thinking about normalized earnings and normalized EBITDA margins in that segment?

A - Frank A Bozich

Yes. Hassan, it's impossible for...

Q - Hassan Ahmed

It's a new world, isn't it?

A - Frank A Bozich

I couldn't tell you what normal is, so what I can tell you is we're confident in our ability to show positive earnings momentum in EM. I think we have a great portfolio. Just as we talked about, in last year's environment where we saw, I would say, generally, in many of our end markets, some weakening in demand, we were able to grow PMMA Resin 3% in volume. Fantastic story in the growth that we've seen in our engineered compounds that go into consumer electronics; it's over 60% growth. And then the other thing that I would point to is, these same customers are demanding, and there's significant pull from the market for recycled and circular solutions, and we believe we have a unique and leadership position in recycling technology for ABS, PC and PMMA that go into those end segments. And so those investments that we will continue to drive will give us continued momentum there. I feel good about the work the team has done in EM, and I think there's more to come.

Q - Hassan Ahmed

Very helpful. Thanks so much, Frank.

Operator

Your next question comes from the line of Laurence Alexander of Jefferies. Your line is open.

Q - Laurence Alexander

So good morning. Three questions. One is on the circular recycling. Can you just give a sense for what the total sort of size of your platform is in those products and how the margins compare with the balance of your business? And then can you touch on what you think the CapEx needs might be down the road, say, over 4 or 5 years if the recycling platforms are going to start to scale up?

A - Frank A Bozich

So the volume of the recycled containing products for all of 2024, I think it was 4% for the full year, but it was growing as the year progressed. I think that in Q4, it actually got to 5% of our total volume. The sales of recycled containing products grew, as I said, over 40% last year, so we're seeing relative to our ability to supply and source the material we see relatively unlimited demand from our end customers. Going to the CapEx, it's a really interesting and dynamic question on this, but these investments are not significant. They're either high single-digit or low double-digit million modules. These are modular investments that we would make, where we could install those at our various downstream plants, and the investments, depending again it's early days, but it's high single-digit to low double-digit million per module. And then you asked about margin premium. We're seeing in each of the areas that a sustainable offering or a circular offering in PC, ABS and PMMA as well as polystyrene in the multiple hundred dollar range, or significant premiums over our virgin margins.

Q - Laurence Alexander

And so is it fair to say that the payback on any of the modular investments will probably be like 1.5, 2 years?

A - Frank A Bozich

It's premature for me to lean into that one, and I'll give you a real view on that, but preliminarily, we see that these would be very positive IRRs on these types of investments. But again, it's early stages, and we're in the process of preliminary engineering, and we'll know more by the second half of the year.

Q - Laurence Alexander

And then just lastly, could you just calibrate what you're hearing from your customers about further destocking or working capital efficiency initiatives, and how much of that is baked into your outlook in terms of being sort of a fairly steady demand environment?

A - Frank A Bozich

I would generally say that we think our value chains have gotten pretty tight. We think that we've done a great job in partnership with our customers to take any slack out of the supply chains, and we haven't heard of any significant additional initiatives where people would be looking to take inventory levels down. We haven't seen that, and I guess this is the one data point that we are looking at from a longer-term or midterm demand standpoint is, let's talk about building and construction and automotive. Since 2008, there's been a deficit in North America and Europe in terms of new construction versus household formation. There's massive pent-up demand there. We think the value chains have largely become balanced. And then in automotive, while demand is weaker, it's a consumer confidence issue. We don't see it as an inventory issue. In the medium term, we watch the age of the car park, and the data that we just looked at this morning would tell us that in Europe, the auto fleet is over 12 years old, which is historically the highest age of the car park. And in North America, it's over 12 years, which is one of the oldest fleets that I remember in my career. So, we don't see a big drive to destock.

Q - Laurence Alexander

Yeah. Thank you.

Operator

Your next question comes from the line of Roger Spitz of Bank of America. Your line is open.

Q - Roger Spitz

Thank you very much. First, can you speak about the impact of tariffs, for instance, how much do you sell to Canada, Mexico and/or China directly from the U.S.A.?

A - Frank A Bozich

We're thinking about tariffs in 3 dimensions, okay? Dimension #1 is, what are we importing? What are our purchases from countries that could be subject to import tariffs? We believe that impact will be negligible to us because the purchases are relatively small and the commodities that we're buying from those countries are in oversupply. And so we have the ability to switch our suppliers to avoid the tariff. The second dimension is where do we sell our products from the U.S. production into countries where there could be retaliatory tariffs? And I would just say, in general, by far most of the U.S. production is consumed in the U.S. Our exports from the U.S. to Canada and Mexico represent low single-digit percentages of our overall sales, and 80% of those are in the auto value chain, and we're highly specified into the tiers. So, we don't necessarily believe that we will see an impact in terms of demand sitting here today if tariffs were imposed on those sales. And then the third bucket, or the third dimension, which is unknowable at this point, is what would be that end market demand impact on imposition of significant tariffs? There's a lot of uncertainty, and we just don't know at this juncture.

Q - Roger Spitz

Thank you for that. My other question, I'm looking at Slide 12 of the deck. For the AR securitization, you have $50 million left over, of availability, excuse me. Does that mean that, I guess it'll come out with the Q, but are you drawing $100 million under the AR securitization, or is there a borrowing base limitation here?

A – David Stasse

Hi Roger. Good morning, it's Dave. There's a borrowing base so that the amount we have to borrow against is a function of the receivables balance in the legal entities that participate in the program. The receivables balance was quite low, understandably, at the end of Q4 just because of the seasonality of sales in the quarter. For the $150 million facility, almost always going back in time, we've had full availability based on the borrowing base that happened to be particularly low at the end of the year because of lower seasonal volumes but also lower prices that I talked about earlier, the big drop in styrene prices. So, we have $125 million at the end of the quarter able to be borrowed, and there was $75 million drawn. I would expect that borrowing base will be higher in Q1.

Q - Roger Spitz

Got it. Perfect. Thank you very much.

Operator

And your last question comes from the line of Alex Kelsey of Wells Fargo. Your line is open.

Q - Alex Kelsey

Hi guys, thanks for taking the question. A couple of follow-ups from, I think what's been asked already. With regard to the EM segment, now that there's some automotive components in there as well, the $27 million reported in Q4, how much of that was pure EM versus auto? Of the $27 million.

A - David Stasse

Alex, there was always a pretty significant automotive exposure in Engineered Materials. In fact, auto and building and construction are the largest end markets for what I would call legacy Engineered Materials, so a lot of PMMA resin applications. I don't have a number for it. We'll have to get the percentage, the automotive compounding business that moved into Engineered Materials, we'll have to get that and give it to you offline.

Q - Alex Kelsey

Okay, that's fine. We can follow up. Another one on the license sale with your Indian partner, can you just remind us the duration of that agreement? And then I guess the bigger question is, if there is an expiration on that agreement, the extent that the license and technology is still valuable, can you enter into a similar agreement again? And then, on the other question on that partnership is Frank, I think you mentioned, the start of a strategic relationship with that partner. Can you just talk about what that means or anything else we should expect with them?

A - Frank A Bozich

Thanks, that's a great question. Maybe let me give you a little color or a little more background on who Deepak Nitrite is. Deepak is one of the largest Indian public companies in the chemical industry. They are the largest phenol acetone producer in India, and this is a move on their part to move downstream to forward integrate in these value chains, because India is a net importer of polycarbonate, there is no domestic production, so that's sort of their strategy. They are a multi-billion dollar revenue company, market cap of $4.5 billion, so they are a substantial company and have a great presence in cost position in the value chains we participate. So, in my career, I've had a lot of operations in India. It's hard to get critical mass in India, so partnerships are important and having a substantial company that you're partnered with that gives you access to the market is important. And like we said earlier in our downstream formulated products, we would see a high single digit compounded annual growth rate in our end markets for our solutions, and it's a big opportunity for us going forward.

On the license, it's a perpetual license. We believe our polycarbonate technology is unique and one of the best technologies in the industry. In Germany, it was disadvantaged for a number of reasons, but elsewhere it is a significant value. And then we have the option to expand the capacity with Deepak as well as provide other licenses in other geographies.

Q - Alex Kelsey

Okay, that's very helpful. Two more for me, if I may. On 2025, I understand lots of moving pieces and you're reticent to offer a true guide out there, but if I just take the cleansing docs in the last transaction, '25 estimate of $300 million to $350 million EBITDA. As we sit here today knowing what we know and don't know about the market, do you think that those are still reasonable goal posts for the year?

A - Frank A Bozich

Yeah, we're not going to give guidance for the full-year or even bracket it because there's so much market uncertainty. There's positives and negatives that are in development, so I don't want to bracket where we would end up. But I go back to the comments that I made I think for Hassan. We're very confident in positive earnings momentum because a lot of the actions we've taken are well within our control and those buckets are what we talked about with Deepak, the SG&A restructuring, the make versus buy decision in polycarbonate and the closure in Stade as well as business wins. And then again, a much more normalized earning contribution from AmSty .

Q - Alex Kelsey

Right.

A - Frank A Bozich

So those are positive benefits to this year.

Q - Alex Kelsey

And last one if I may, just the status of cost cuts, Frank or David, I think you mentioned to be realized in 2025, again, just looking at the old deck that was posted with the last transaction, it was noted there was $80 million of cost outs to be realized in '25. Can you just help me sort of bridge those numbers or more simply just kind of remind us where you guys stand in terms of total cost outs from the various closures and the corporate restructuring, how much has been realized to date and what we should expect in '25 and maybe in '26? Thank you.

A - Frank A Bozich

I'm not sure I could give you an answer to that question. What I'm very certain of is the incremental SG&A benefit from the actions that we announced late last year are $25 million. The impact of polycarbonate, we realize some of that, there's an incremental benefit from some of that, and again we'll have to follow-up with you to give you a complete analysis of that. But what I would tell you is we've taken fixed costs down by well over $100 million over the past 2 years and we're on track to deliver everything that we have announced. I'm looking at Dave, who can answer that better than I did.

A - David Stasse

So Alex, the actions that we've taken, we will get the full year realization of savings in 2025 substantially. For the headcount reductions, the SG&A restructuring, that's $30 million. We got $5 million last year, we'll get an incremental $25 million this year, so we'll get the full run rate of that this year. We'll also get the full realization of the polycarbonate savings. Obviously, the styrene stuff was done years earlier, so we're already seeing the full effect of that in 2025.

Operator

Thank you. We have time for one more question. It comes from the line of David Begleiter of Deutsche Bank. Your line is open.

Q - David Begleiter

Thank you, just a couple of questions. Back to guidance, I'm sorry, but one more try. In Q1, ex the polycarbonate agreement, you look about mid $40s million EBITDA. The last two years, you've seen a progression of roughly $20 million sequentially higher in Q2, which gets you to about mid $60s million for Q2. Is that a good run rate, or is that a good proxy at least directionally speaking for Q2 versus Q1, perhaps mid $60s million versus where we are right now?

A - Frank A Bozich

Yeah, David, thanks for the question. Actually, Q1 is somewhat more depressed than normal because it's been a slower start to the year than typical. And then, I would also say that we have pricing lag in Q1 that's not immaterial, mainly in EM, because we've been providing quarterly pricing. We priced our products to our end customers at the end of Q4. Again, it's very volatile, but a lot of the input costs into EM in Europe are based on natural gas price and the TTF has gone up, and those related products that are based on TTF have gone up with them. So today, we see some pricing lag that would not be recurring after Q1, so I would say, yes, I would agree with you. Q2 and Q3 will be an improvement over Q1, but I wouldn't compare it to prior year simply because we're seeing a more pronounced slow start to the year and then we have the pricing lag.

Q - David Begleiter

Understood. And just on polystyrene, are these assets core now to Trinseo?

A - Frank A Bozich

Our polystyrene assets are great assets. We've done a great job managing those in the past couple years to optimize the free cash flow generation of the assets, but we believe that other would-be investors would invest in the growth of those assets. We continue to field inbounds and work with potential buyers for those assets, but on an individual basis around the world.

There's nothing to report, but again there's activity and interest, so we would continue to explore the possibility of selling those individual assets and are doing that.

Q - David Begleiter

And just one last thing on AmSty, is it fair to say the sales process has been halted? And if it has been halted, when was it halted?

A - Frank A Bozich

It's not halted. As I said, we're working in conjunction with our partner, and our goal is to monetize our interest in AmSty and we will continue to progress that, but we want to time our process to optimize value. So that just means a later marketing than we had originally anticipated.

Q - David Begleiter

Thank you.

Operator

With no further questions, that concludes our Q&A session. We thank you for your participation. This concludes today's conference call. You may now disconnect.